

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-0545

April 19th, 2019

Treasurer Fiona Ma and Deputy Treasurer Tim Schaefer

State Treasurer's Office

915 Capitol Mall, Suite 110

Sacramento, CA 95814

Dear Treasurer Ma and Deputy Treasurer Tim Schaefer:

I write to share my concerns about your recent decision to lift the ban instated in 2016 prohibiting the State of California (State) from working with Wells Fargo. As illuminated on March 12<sup>th</sup> in a Congressional hearing during which I questioned then-CEO Tim Sloan, the bank is not “transformed,” nor is it “re-established,” despite their marketing campaigns proclaiming as much. Given the recent attestations of numerous U.S. banking regulators to their continued, deep dissatisfaction with the bank’s ostensible efforts to rectify past and present wrongs, I ask that you reconsider doing business with Wells Fargo.

I emphatically disagree with your assessment, Mr. Schaefer, that “Wells Fargo has made clear public steps that its rehabilitation is underway and has made significant progress.”<sup>1</sup> In fact, Wells Fargo is facing unprecedented and enduring scrutiny from federal regulators, including the Federal Reserve (Fed), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB). Last month, one hour after former Wells Fargo CEO Tim Sloan testified before the Committee on which I serve, the House Committee on Financial Services, the OCC issued what has been widely described as a “rare” public rebuke, noting:

We continue to be disappointed with Wells Fargo Bank N.A.’s performance under our consent orders and its inability to execute effective corporate governance and a successful risk-management program. We expect national banks to treat their customers fairly, operate in a safe and sound manner, and follow the rules of law.<sup>2</sup>

---

<sup>1</sup> California quietly lifts ban on doing business with Wells Fargo,” *American Banker* (April 2019) at: <https://www.americanbanker.com/articles/california-quietly-lifts-ban-on-doing-business-with-wells-fargo>

<sup>2</sup>Id.

Two days later and in response to the news that Mr. Sloan's compensation was 6% higher than the year prior and included a \$2 million "bonus," the Fed--which as you know very infrequently comments on individual institutions--clarified that it had not specifically agreed to the pay package awarded by the bank. A spokesperson stated: "The Federal Reserve does not approve pay packages. We expect boards of directors to hold management accountable."<sup>3</sup>

Wells Fargo is still subject to various consent orders, including a Fed-issued cap<sup>4</sup> on asset growth and orders<sup>5</sup> issued in November 2015 and September 2016 related to the bank's lack of compliance with the Bank Secrecy Act and unsafe and unsound sales practices, respectively. The CFPB and the OCC jointly fined the bank \$500 million last April as one element of a consent order issued in response to the bank's mis-selling of auto loans and mortgage products.<sup>6</sup> The fine was the largest issued in the history of the CFPB.<sup>7</sup>

On April 3rd, Fed Chairman Jerome Powell wrote to my Senate colleagues: "Wells Fargo's prioritization of growth without effective risk management resulted in widespread abusive practices that significantly harmed its customers." He continued: "incidents of other breakdowns in compliance risk management at the firm have continued to be reported after the firm's initial sales practice misconduct was disclosed."<sup>8</sup>

On the same day, Comptroller of the Currency Joseph Otting wrote "we share your concerns regarding the progress of Wells Fargo toward meeting our regulatory expectations as set forth in the outstanding enforcement actions against the bank."<sup>9</sup>

On April 5th, CFPB Director Kathy Kraninger stated, "I am not satisfied with the bank's progress to date and have instructed staff to take all appropriate actions to ensure the bank complies with the consent order and Federal consumer financial law."<sup>10</sup>

---

<sup>3</sup> Letter to Senator Elizabeth Warren from Chairman Powell (April 2019) at:

<https://www.warren.senate.gov/download/20190403-letter-to-federal-reserve-re-wells-fargo-scandals>

<sup>4</sup> Id.

<sup>5</sup> Letter to Senator Elizabeth Warren from Comptroller Otting (April 2019) at:

<https://www.warren.senate.gov/imo/media/doc/2019.04.03%20OCC%20Response%20to%20Letter%20to%20OCC%20and%20CFPB%20re%20Wells%20Fargo%20Auto%20Lending%20Settlement.pdf>

<sup>6</sup> Michelle Price and Imani Moise, "U.S. consumer watchdog says 'all options on table' for enforcing Wells Fargo order," *Reuters* (April 2019) at: <https://www.reuters.com/article/us-wells-fargo-regulators/u-s-consumer-watchdog-says-all-options-on-table-for-enforcing-wells-fargo-order-idUSKCN1RL2XK>

<sup>7</sup> Kate Gibson, "Wells Fargo fined \$1 billion for abusive consumer loan," *CBS News* (April 2018) at: <https://www.cbsnews.com/news/wells-fargo-billion-dollar-fine-abusive-consumer-loans/>

<sup>8</sup> Letter to Senator Elizabeth Warren from Chairman Powell (April 2019) at:

<https://www.warren.senate.gov/download/20190403-letter-to-federal-reserve-re-wells-fargo-scandals>

<sup>9</sup> Letter to Senator Elizabeth Warren from Comptroller Otting (April 2019) at:

<https://www.warren.senate.gov/imo/media/doc/2019.04.03%20OCC%20Response%20to%20Letter%20to%20OCC%20and%20CFPB%20re%20Wells%20Fargo%20Auto%20Lending%20Settlement.pdf>

<sup>10</sup> Letter to Senators Elizabeth Warren and Sherrod Brown from Director Kraninger (April 2019) at:

<https://www.warren.senate.gov/download/20190405-cfpb-response-to-letter-to-occ-and-cfpb-re-wells-fargo-auto-lending-settlement>



On March 28th and after prolonged Congressional and public outcry, Tim Sloan stepped down from his position as the bank's CEO.<sup>11</sup> This step was necessary and long-overdue, but it is not sufficient. The leadership at the bank has not provided evidence to suggest that Wells Fargo has turned a corner.

When your predecessor John Chiang first banned the bank from doing business with the State, he asked then-CEO John Stumpf: "How can I continue to entrust the public's money to an organization which has shown such little regard for the legions of Californians who placed their financial well-being in its care?"<sup>12</sup>

Treasurer Ma and Deputy Treasurer Schaefer, I ask you the same. The State should continue to keep the ban in place until the bank is no longer subject to consent orders and has demonstrated a sufficient commitment to advancing the interests of its customers.

Sincerely,

A handwritten signature in black ink that reads "Katie Porter". The signature is fluid and cursive, with the first name "Katie" and last name "Porter" clearly distinguishable.

Congresswoman Katie Porter

---

<sup>11</sup> Sophia Kunthara, "Wells Fargo CEO Tim Sloan steps down," *San Francisco Chronicle* (March 2019) at: <https://www.sfchronicle.com/business/article/Wells-Fargo-CEO-steps-down-13724460.php>

<sup>12</sup> Michael Corkery and Stacy Cowley, "California Suspends Ties With Wells Fargo," *New York Times* (September 2016) at: <https://www.nytimes.com/2016/09/29/business/dealbook/california-wells-fargo-john-stumpf.html>